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TAGS: [PREL](#) [PGOV](#) [MNUC](#) [KS](#) [KN](#)
SUBJECT: NATIONAL SECURITY ADVISOR BAEK ON FTA, ALLIANCE,
6PT AND INTER-KOREAN DIALOGUE

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b/d)

¶1. (C) SUMMARY: In a May 10 lunch meeting with the Ambassador, National Security Advisor Baek Jong-chun said his responsibilities were defined: work closely to support the KORUS FTA, USFK relocation agreements, and progress in the Six-Party Talks (6PT). Baek expressed optimism that the Banco Delta Asia (BDA) issue would be resolved soon and might serve in educating North Korea how little it can accomplish without international cooperation. Over the longer term, Seoul hoped to leverage inter-Korean talks and the Kaesong Industrial Complex to encourage the DPRK to make economic and political changes. Asked about a possible inter-Korean summit, Baek responded that the ROKG was not actively considering anything. However, if a summit could contribute to a resolution of the DPRK nuclear issue and provide a breakthrough in inter-Korean reconciliation, Seoul would think about it in consultation with the United States. END SUMMARY.

¶2. (C) The Ambassador on May 10 hosted a luncheon at the residence for Baek Jong-chun, Chief Secretary for Unification, Foreign Affairs, and Security Policy (National Security Advisor). Baek was joined by Park Sun-won, Secretary to the President for National Security Strategy,

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and Kim Hong-kyun, Assistant Secretary to the President for National Security Strategy. NSA Baek offered little color commentary on views in the Blue House, but, in his proficient English, reinforced the need for U.S.-ROK coordination to resolve key economic, security and North Korean issues.

FTA, BEEF

¶3. (C) NSA Baek said that Seoul was tentatively planning on submitting the KORUS FTA agreement for National Assembly ratification in the September/October timeframe, even though he was aware that the U.S. Congress might not take corresponding action by that time. Seoul had "no reason to delay," he said, adding that President Roh would like to get the FTA ratified by the end of his term. Park explained that the Blue House was considering an "endgame" debate in mid-June with relevant ROKG ministers, political leaders and NGO activists that President Roh would chair to argue for FTA ratification. Seoul might even televise the session to enable the President to make a stronger, broader push for its passage.

14. (C) The Ambassador stated that the sooner the ROK could ratify the KORUS FTA, the better. Not only would it provide President Roh with a legacy deliverable, but it might encourage KORUS supporters in the United States as well. If ROK ratification were to slip past October, it might become entangled in the ROK general election in December or National Assembly elections in April, causing unnecessary complications. The Ambassador expressed appreciation for President Roh's commitment to be guided by science in reopening the beef market. Baek acknowledged President Roh's commitment to President Bush to open the market after the OIE ruling later this month; he noted that the ROKG would welcome U.S. beef, as it already imported beef from Australia and others nations.

BASE RETURNS

15. (C) The Ambassador noted that the understanding reached between Secretary of Defense Gates and Minister of National Defense Kang Jang-soo was a positive way to resolve both OPCON and USFK base return issues. Baek agreed and stated that Seoul was working hard to bring the Ministry of the Environment along. However, "NGOs are NGOs," and it would be difficult to assuage all NGO concerns. Seoul's objective now was to manage their protests, he said.

BDA AND 6PT

16. (C) Turning to the Six-Party Talks (6PT), the Ambassador said it appeared that banks were concerned about receiving funds from Banco Delta Asia (BDA) and were looking for some

kind of assurances that they would not be penalized by U.S. financial measures. The USG had promised to resolve the BDA issue, and we had done so in the U.S. Treasury's March 14 announcement. On April 10, one month ago today, the U.S. Treasury Department issued another release expressing support for the Macao Monetary Authorities' decision to unblock the BDA accounts. Now, however, the DPRK seemed to be trying to make a point about its access to the international banking system.

17. (C) Baek conveyed appreciation for USG patience with North Korea. He hoped that the DPRK would learn how the international financial system worked and how it needed international cooperation to resolve its problems. Still, peace and denuclearization were more important than BDA. This was why the ROKG sought continued USG flexibility, perhaps in the form of a one-time exemption (from Section 311 provisions) for a bank to receive BDA funds. Park opined that the difficulties in transferring money from BDA confirmed to everyone the importance of the U.S. to the international financial system; banks would not risk running afoul of the U.S. Treasury. The USG's ability to monitor and control DPRK's access to the financial system was strong enough to allow for this one-time exemption, especially if it would allow the 6PT to regain momentum, he insisted.

18. (C) The Ambassador responded that the USG wanted to resolve the BDA issue. Unfortunately, we had lost a lot of time. It was Qsible to get things back on track, if the DPRK really wanted it to happen. It remained to be seen if the DPRK had made the strategic decision to denuclearize or if it was trying to present itself as a country like India that should be allowed the right to posses nuclear programs. If the later were the DPRK's decision, it was mistaken, because, the Ambassador said, Washington could not normalize relations with a North Korea that still had nuclear weapons.

INTER-KOREAN DIALOGUE

19. (C) Baek noted the on-going (May 8-10) inter-Korean General officer-level officers talks and said that it appeared that the DPRK would agree to a one-time trial run of trains along the west and east coast rail corridors. The DPRK was also pressing for concessions on the Northern Limitation Line. The ROK delegation had pushed back, saying that maritime borders should be addressed at Defense Ministerial talks. The ROK was also trying to convince the DPRK that a one-time trial run was helpful, but not as much as regularized inter-Korean rail travel, which could provide greater economic benefits to the DPRK.

110. (C) Baek sought to blur the link between the trial run of trains and a ROK decision to provide USD 80 million in light industrial material aid. He said that the real linkage was between industrial aid and cooperation on ROK development of DPRK natural resources. Seoul wanted to counter greater PRC investment in DPRK mines and natural resources; the ROK did not want to "lose" the DPRK to China. Greater rail and resource access to the DPRK would also help the ROK transfer or teach market-economic principles to the DPRK. If the two Koreas connected their railways, this would help the future of the peninsula, which would help USG interests as well. Similarly, the Kaesong Industrial Complex (KIC) could be both a starting point for economic reforms and a contact point that would allow greater inter-Korean exchanges.

111. (C) The Ambassador said he understood the logic behind pushing economic changes in the DPRK, but if North Korea failed to live up to its February 13 "Initial Actions" obligations, what would happen to ROK plans for rice assistance at the end of May? While the USG does not want greater hunger in the DPRK and does not see food as a weapon, some might view rice aid as a sign of wavering ROK resolve on the DPRK nuclear issue. The Ambassador noted that credibility was hard to gain and easy to lose. The ROK should consider what message the DPRK would hear if it received rice aid without fulfilling its 6PT obligations. The DPRK must already know that the KIC's future would be brighter with denuclearization.

112. (C) Baek reiterated that it was for these reasons that Seoul wanted a resolution of the BDA issue as soon as

possible. Park added that the ROK was doing its part to look for solutions. It had considered whether its Export-Import (EXIM) Bank might be able to contribute. However, the ROKG decided that, without USG assurances, the risk of receiving BDA funds would be too high. Park said that BDA was currently being run by Macao Monetary Authorities, not its owner Stanley Au, which should make it easier for USG officials to grant a one-time waiver for American Banks to deal with BDA.

NORTH-SOUTH SUMMIT

113. (C) Asked about politicians' comments and media speculation about a possible inter-Korean summit, Baek said Seoul at this time was not actively working on a summit because of the current BDA situation. He had seen stories that A/S Hill was considering visiting Pyongyang and articles that former ROK Prime Minister Lee Hae-chan was proposing a four-way summit between the U.S., ROK, DPRK and China. The problem was too many reporters were speculating in the hopes of finding a story. Of course, if the ROKG saw the possibility that a summit would help to resolve the DPRK nuclear issue and provide a breakthrough in inter-Korean reconciliation, then the ROKG could consider an inter-Korean summit. If the ROKG saw that opportunity, it would coordinate with the USG because bilateral cooperation would be important.

114. (C) The Ambassador said that if an inter-Korean summit could truly help progress in the 6PT and North-South relations, then the USG would see the logic behind it. He agreed that USG-ROK coordination and cooperation would be

important, so too would be avoiding unexpected surprises. At this point, the USG was interested in seeing whether, after shutdown of Yongbyon, the North was ready to take the more serious step of disabling its nuclear facilities. This would be a qualitative step beyond the 1994 Agreed Framework and could open many more possibilities for advancing relations with the DPRK.

VERSHBOW